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ABSTRACT

This publication contains 58 case studies for classroom use in teaching various business and consumer education subjects at the high school level. A supplement to a previous Phi Chapter publication, "Office Education Case Studies" (1973), the case studies are intended to create class discussions and help students acquire the ability to analyze problems and make decisions. Each case is divided into two parts. The first part describes a situation which illustrates a business or economic principle, or which illustrates a situation a student might encounter in the business system. The situations are brief. The first portion of the case concludes with one or more questions that will direct the student to the problem to be solved. The second part of the case, Points to Consider, includes questions which students might ask and wish to discuss to obtain further information needed to solve the problem or answer the question indicated in the case situation. Topical areas covered include the business environment, the business enterprise, labor relations, consumer credit and money management, consumer rights and responsibilities, banking and finance, insurance, and social responsibilities of business. (Author/RM)

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BUSINESS AND CONSUMER EDUCATION CASE STUDIES

PHI CHAPTER, DELTA PI EPSILON

UNIVERSITY OF MINNESOTA

MINNEAPOLIS, MINNESOTA

1976

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PREFACE

Business and Consumer Education Case Studies is part of a continuing effort on the part of Phi Chapter of Delta Pi Epsilon to provide case study materials for classes in the business and office education areas. A previous Phi Chapter publication, Office Education Case Studies (1972), presented office cases based on the actual experiences of young men and women working in the business world.

The case studies in this booklet are illustrations of situations that many students have experienced or might experience in the future. They are designed to address the needs of students in understanding the basic concepts and principles of the American free enterprise system. This volume and that on office case studies complement each other and, thus, provide the business education teacher with a comprehensive set of case materials for classroom use in teaching various business education subjects at the high school level.

They are intended, primarily, for creating class discussions and helping students acquire the ability to analyze problems and make decisions. The cases were not developed for use as test items, although they might also be used in this way.

Each case is divided into two parts. The first part describes a situation which illustrates a business or economic principle, or which illustrates a situation a student has or might encounter in the business system. The situations are brief and sometimes intentionally incomplete. The first portion of the case concludes with one or more questions that will direct the student to the problem to be solved.

Due to the fact that a number of solutions are possible to each problem, as well as numerous reasons for choosing a solution, no attempt

has been made to provide possible solutions. The second part of the case, POINTS TO CONSIDER, includes questions which students might ask and wish to discuss to obtain further information needed to solve the problem or answer the question indicated in the case situation.

Phi Chapter of Delta Pi Epsilon believes that these case studies will serve as a valuable aid to students. They permit the students to enter into a group case study process which encourages them to apply their understandings of business principles and concepts to realistic business and consumer problems.

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AREA I: THE BUSINESS ENVIRONMENT

CASE 1 — Economic Decisions

Sorbania is an island country blessed with a mild climate throughout the year and has rich soil for agricultural purposes. Its largest industries are fishing, tourism, and agriculture which account for about 85 percent of the nation's gross national product. Sorbania also has very rich deposits of iron ore, coal, chromium and other precious metals. Recently a large oil field was discovered ten miles off the northern shore of the island. The northern shore is also the site of the most fertile Sorbanian fishing grounds and the most beautiful Sorbanian beaches. Economic experts have stated that the development of the oil field will more than triple the Sorbanian gross national product within three years and could cause a ten-fold increase within fifteen years. Should the Sorbanians encourage the development of the north shore oil find? Why or why not?

POINTS TO CONSIDER:

1. What might be the impact on the fishing and tourist industries?
2. How well developed is the Sorbanian economy?
3. What are the economic goals of the country?
4. What are the country's alternatives?
5. Are there other beaches and fishing grounds available?
6. Is the present island population dependent on these new resources?

* * *

CASE 2 — Economic Goals

Ten years ago, before its independence, Sorbania had only very light industry which accounted for less than 10 percent of its gross national product. Several economists recently suggested that Sorbania develop its natural resources and also develop its industrial potential by building large industrial plants. A second group of economists argued against this development. Should Sorbania develop its natural resources and its industrial potential? Why or why not?

POINTS TO CONSIDER:

1. What is meant by development?
2. What are the advantages of development?
3. What might be the effect of the development of the natural resources on the other areas of the Sorbanian economy?
4. Is the Sorbanian population sufficiently prepared for industrialization?
5. What effect might economic development have on the population?
6. What seem to be the most pressing needs of the island?

CASE 3 Economic Alternatives

One group of economists has urged the government of Sorbania to take over the ownership of the resources of the island and to establish a plan for their development, thus preventing foreign interests from coming in and taking control. A second group of economists contends that government ownership of the national resources will be disastrous to the island's economic growth. Which group's position would be in the country's best interests? Why?

POINTS TO CONSIDER:

1. What are the advantages and disadvantages of a controlled economy?
2. What are the economic needs of the population?
3. What stage of economic development is the island now experiencing?
4. What would the probable results of each alternative be?
5. What groups of people benefit most by the current economic system?
6. What groups of people would benefit most by the proposed change to government ownership?

* * *

CASE 4 Taxing Problems

The city council of Smithton recently identified several needs within the community which they felt should be considered within the coming year. Among these needs are an addition to the high school, the repair and widening of the city's main street, the construction of a municipal swimming pool, the development of an industrial park on the outskirts of town, and the purchase of a new city police car. The city council realizes that to meet all of these needs, additional revenue will have to be raised. The city voters turned down a bond issue just two months before for municipal improvements. How would you suggest the city council proceed?

POINTS TO CONSIDER:

1. How badly are the improvements needed?
2. How does the city determine its priorities?
3. Who will benefit from the improvements?
4. Why did the voters turn down the last bond issue?
5. What are the various financing alternatives?

CASE 5 Competition

Margaret Hamilton is the owner of a small grocery store in Davenport, Iowa. The store has been run by the family for over 35 years and has done quite well in the past. Within the past five years, however, the Hamilton grocery store has been receiving increased competition. Four years ago a new supermarket was opened within a mile and a half of Margaret's store. Last year a "Quick-Stop," convenience food store, opened just three blocks away. Profits for the Hamilton store have dropped steadily over the past three years. If the profit trend continues down, Margaret is afraid she will have to close the store. What do you think Margaret should do?

POINTS TO CONSIDER:

1. Why might Margaret be losing her business to the other stores?
2. What could the other stores be offering their customers that Margaret is not?
3. How can Margaret compete more effectively?
4. Might Margaret lack the expertise to run a grocery store?
5. From what agencies can Margaret look for help in solving her problems?

* * *

CASE 6 Profit Motive

Ellen Ramos runs a book store/curio shop near a major university. She buys from a wide variety of sources (both expensive and inexpensive) so as to offer her customers a wide selection of merchandise. She prices her goods so that she can cover the cost of the goods, overhead and selling expenses, and in addition, realize about a 10 percent profit. Some of the students at the university have publicly accused her of "ripping off" the student population because of her profit margin. How should Ellen respond to the students' charges?

POINTS TO CONSIDER:

1. What might be the basis of the students charges?
2. What are average profits for a retailer?
3. What is the difference between a fair profit and an excess profit?
4. What are the attitudes of the students toward profit?
5. Is 10 percent an unreasonable profit?
6. What would be the impact on our economic system if all merchants were restricted to selling at or near cost?

CASE 7 Specialization

In the town of Hudnut three firms manufacture snowmobiles. None of the firms as very profitable. The management of all three got together one day to discuss the problem. In the process they discovered the following facts:

The Apple Brothers were engineering specialists but were inexperienced in production and merchandising skills.

The Baffle Co. had good production methods but their machine was not well designed and their sales force was inadequate.

Cool It, Inc. had just fair design engineers and a barely adequate production system, but they had a very experienced and knowledgeable sales force.

The management of the three firms realize that if they continue under the present situation, they will all soon be out of business. What might the firms do to remedy their situation?

POINTS TO CONSIDER:

1. What are the possibilities of the companies merging?
2. Are there laws that might prevent the firms from merging?
3. What would be the advantages of such a merger? Disadvantages?
4. Are there other ways the firms might help one another without merging?
5. What would be the economic impact of merger?
6. How does this case relate to specialization?

* * *

CASE 8 A Case Of Monopoly?

Smog Stoppers, Inc. is a large corporation which produces 90 percent of the pollution control devices manufactured in this country. The company was founded in 1940 by Sam Summer, and the future of the company promises rapid growth.

The government, concerned about Smog Stoppers control of the pollution control industry, has started antitrust action against the company. The government is asking that Smog Stoppers Inc. be broken up into several smaller companies. Do you think the government is infringing on the rights of this corporation to become successful in a free enterprise system? Why?

POINTS TO CONSIDER:

1. Why is the government taking the action against Smog Stoppers?
2. What have been Smog Stoppers competitive practices?
3. Is Smog Stoppers trying to monopolize the industry?
4. How did Smog Stoppers gain control of such a large portion of the pollution control market?
5. What will happen to competition and prices if Smog Stoppers is permitted its near monopoly of the market?

AREA II: THE BUSINESS ENTERPRISE

CASE 9 — Food Franchising

Aunt Cora's delicious fried catfish and hush puppies were so popular in her home town in Alabama that when she was left a widow with four children to support she opened a restaurant featuring her specialities. The demand for her product was so great and business was so prosperous that soon Aunt Cora had entered a business agreement to franchise her restaurant. Aunt Cora patented her cooking methods and opened several franchised restaurants throughout the South.

Recently a rival company opened several new restaurants featuring fried catfish and hush puppies. Many people thought that the new restaurants' food was almost exactly like Aunt Cora's, and soon Aunt Cora began to lose business. Is there anything that Aunt Cora can do about the competition from the new restaurants?

POINTS TO CONSIDER:

1. Are the new restaurants using the patented cooking methods of Aunt Cora?
2. Can a patent protect a food product?
3. What is the purpose of a patent?
4. Can anyone get a patent?
5. What is a franchise?
6. What legal rights does Aunt Cora have?

* * *

CASE 10 — Opening A Small Business

When Ronnie came home from the Navy, he decided to go into the restaurant business for himself. He had worked as a cook and had advanced to a kitchen supervisor while in the Navy. He likes the work and doesn't mind the long hours he would have to spend to establish himself in the business. He has saved $4,000 to get the business started. How can Ronnie get his business started and what are some of the decisions he will have to make?

POINTS TO CONSIDER:

1. Does Ronnie have the necessary experience to open a business?
2. Does he intend to run the business as a sole proprietor?
3. Does Ronnie need any special kinds of licenses to open a restaurant?
4. Is $4,000 enough to start this business?
5. Does he have access to any additional sources of capital?
6. Where does he plan to locate his business? Should he rent or buy his equipment and building?
7. How big does Ronnie want his business to be?
8. How will government regulations affect him?

CASE 11

Limited/Unlimited Liability

Bob Tallwalker runs a travel agency as a sole proprietor and is having serious business troubles. If business doesn't improve soon, his creditors may sue to collect on overdue bills. Bob and his wife are worried about the fact that they may also lose many of their personal possessions such as their car, boat, and snowmobile plus their personal savings. Bob wonders how he could avoid the possibility of having to pay his business creditors out of his own personal funds, and if there is any way he still might avoid going out of business. What would you suggest Bob do about the situation?

POINTS TO CONSIDER:

1. Is Bob's business now losing money?
2. What types of business problems might Bob be having?
3. Can he still bring in a partner at this date to avoid bankruptcy?
4. How easy would it be to find a partner?
5. Can Bob still incorporate?
6. What steps can Bob take to avoid losing his personal assets if the business goes under?
7. Do the Tallwalkers need the boat and snowmobile?

* * *

CASE 12

Innovation/Profit Motive

Dan Johnson is a young businessperson who has pioneered a new process of manufacturing his product which has proved very successful. This process results in a good financial return for Dan, so he is dismayed to learn that several other companies are entering the market and using the same process with slight variations. What will happen to Dan's business if competitors enter the market, and what can Dan do about it?

POINTS TO CONSIDER:

1. Might Dan patent his new process?
2. How would a patent protect Dan? How long would a patent protect Dan?
3. Why are patents issued by the government?
4. Don't other companies have a right to compete with Dan?
5. Why would other companies enter the same market Dan is in?

CASE 13 Financing Problem

Mark and Patricia Stanford are the sole owners of a very successful small electrical appliance manufacturing firm. They started the business fifteen years ago with their personal savings and a loan from the bank. The business has been so successful that Mark and Patricia want to expand it. However, they find they cannot raise enough money to do so. How might the Stanford's solve their dilemma?

POINTS TO CONSIDER:

1. How much money do they need?
2. How much can they raise themselves?
3. What are the various financing alternatives that are open to them?
4. Which type of financing would best fit their needs?
5. What are the advantages to the Stanford's in expanding their production capacity? Are there any disadvantages?

* * *

CASE 14 Partnership

Ingrid and Tanya entered into a partnership three years ago for the purpose of selling real estate. The two got along very well for two of the three years, but now Ingrid is suspicious that Tanya is selling real estate after working hours, using the company's name and the company's facilities but keeping the profits for herself. What action should Ingrid take?

POINTS TO CONSIDER:

1. Is Ingrid certain that her suspicions are correct? On what is she basing these suspicions?
2. Does their partnership agreement say anything about this type of activity?
3. Why should Ingrid be upset about Tanya's activities?
4. Why did Ingrid and Tanya enter into a partnership in the first place?
5. Is there any way that Ingrid can recover any of the money that Tanya has pocketed?
6. How can Ingrid get out of the partnership?

CASE 15 Capital Budgeting

Fern Smith and Fawn Falkland recently started a tax consulting service. After they had built up a fairly successful business, an argument developed between the two. Fern wants to withdraw her share of the profits from the business. Fawn, on the other hand, feels that about half of each partner's share of the profits should be reinvested in the business. If you were one of the partners in this business, what action would you take? Why?

POINTS TO CONSIDER:

1. What further action must be taken to insure the success of the business?
2. What might happen to the business if Fern has her way?
3. Why might Fawn want to keep half of the profits in the business?
4. Is the profit of the business large enough to afford the owners a decent living?
5. What kinds of returns might an owner expect from a new business?

* * *

AREA III: LABOR RELATIONS

CASE 16 — Employee Responsibilities

Carol Von Groot works for the Wibble Company. Last week she became aware that the company is engaged in price-fixing. She feels that she should let someone know about it. However, she does not feel that she can afford to lose her job. What do you think Carol should do?

POINTS TO CONSIDER:

1. Is it likely that Carol will lose her job if she lets someone know about the situation?
2. Who is responsible for the ethical behavior of a business?
3. Is loyalty to an employer an important employee requisite?
4. Is this problem a question of loyalty?
5. Should Carol forget about the problem, no matter what her moral position?
6. Is Carol personally involved in the price-fixing activities?
7. Would Carol be personally liable if someone else discovers the activity and reports it?

* * *

CASE 17 — Going On Strike

Francie Williams is a new employee of the Jacob Corporation. Soon after she is employed, she learns that a strike is imminent. Although she joined the union when she started work, she does not really feel, after being unemployed for some time, that she can afford to go on strike. Her employer, knowing her attitude, has urged her to cross the picket line. If there is a strike, should Francie cross the picket line? Why or why not?

POINTS TO CONSIDER:

1. Is it within Francie's legal right to cross the picket line?
2. What might happen to her if she does cross the picket line?
3. Does Francie understand the aims and purposes of labor unions?
4. Does Francie understand what the union expected from her when she joined?
5. What purposes do unions serve?
6. Is it fair for a person to have to join a union to get a job or remain employed?
7. Why might Francie's union be going on strike?

CASE 18 Union Shop

Haunani Abdul is a prospective employee of a manufacturing firm that maintains a union shop. The union contributes a portion of the dues it collects from its members to a political candidate who has often made disparaging remarks about the minority group of which Haunani is a member. This is the only job available, and so Haunani must join the union if he wants it. Should Haunani be forced into a position of paying dues to an organization with which he disagrees? Why or why not?

POINTS TO CONSIDER:

1. Does Haunani have any alternatives in dealing with the union?
2. What might the union's purpose be in supporting the candidate in question?
3. Is the union practicing discrimination by supporting the candidate?
4. What are the advantages and disadvantages of a worker in a union shop?
5. How strong should an employee organization be permitted to grow?
6. What is the feasibility of Haunani trying to form a rival union to replace the current one?

* * *

CASE 19 Required Dues

Gary Mazurka is strongly opposed to unions. He works for a company that has a majority of its employees in the union; however, Gary does not belong. The union leadership proposes to charge dues to all employees whether or not they are union members on the grounds that the union represents all employees when it negotiates with the company. Should Gary be required to pay this money even though he is opposed to the union? Why or why not?

POINTS TO CONSIDER:

1. Is the union acting within its legal rights?
2. What might happen to union membership if workers can join and pay dues at their discretion?
3. Can the union claim that it represents Gary, if Gary says it does not?
4. What would happen to union power if workers can join and pay dues at their discretion?
5. Why might Gary be opposed to unions?

CASE 20 Labor Supply/Demand

In a time of economic recession, the Smith Company finds that it has to cut production costs. By cutting the wages of each employee, the company would like to keep them all employed, if possible. The union will not allow this under the terms of the labor contract and insists that wages remain as they are. Which position, union's or management's, do you support? Why? How might this situation be resolved?

POINTS TO CONSIDER:

1. What might be the rationale behind the union's position?
2. Are there ways, other than cutting wages or hours, in which the employer might cut costs?
3. Might there be alternatives to laying the employees off the payroll?
4. What alternatives might the employer have if he is not allowed to lower wages?
5. What effect does the union's position have on the traditional supply/demand curve for labor?

* * *

CASE 21 Retaining Employees

The Johnson Company is in a labor market where there is considerable unemployment; therefore, they have no trouble in hiring employees. However, because of the low wages they pay, they have a great deal of trouble in retaining their employees for any length of time. What should the company consider doing to retain their employees longer? Is the company saving money by paying low wages?

POINTS TO CONSIDER:

1. What might be the specific reasons for the company paying such low wages?
2. What is the major disadvantage of high employee turnover?
3. What could happen to the company if the employment situation in the market should improve?
4. Might there be other reasons for the high turnover in this company?
5. Does the company gain in the long run by paying lower wages?
6. What might the employees do to insure higher wages?

CASE 22 — Union Representation

The James Equipment Company has individual contracts of employment with each of its employees. A union has petitioned for certification as the bargaining representative of the employees. Mr. James has refused to permit the union on the premises until after the individual contracts have expired, however. Hearing of James' action, several employees walked off their job and refused to return until James agrees to bargain. How might Mr. James resolve this situation?

POINTS TO CONSIDER:

1. Do the employees have a right to form a union?
2. Does the union have a right to be on the premises prior to the expiration of the individual contracts?
3. How does a union become a certified bargaining representative?
4. Why might the employees want to form a union?
5. What might the individual contracts say about walking off the job?
6. Why might James not want the union to talk to his employees?

* * *

CASE 23 — Salary/Commission

Mary has been a hair stylist at the same shop for three years and has built up her trade so that she now has at least 50 appointments a week. She feels that her services are worth more than the $100 a week she is now making. However, her employer refuses to raise her salary but will put her on a 40 percent commission if she so desires. The average customer's bill at the shop is $5. Should Mary agree to work on commission?

POINTS TO CONSIDER:

1. Exactly how does commission work?
2. What are the advantages and disadvantages of a commission to Mary? To her employer?
3. Is it possible that Mary could make more than her present salary with the commission?
4. What might Mary's alternatives be if she doesn't accept the offer?
5. Should Mary be guaranteed a certain wage, no matter how many customers she has?
6. Is the employer taking unfair advantage of Mary's skill?

AREA IV: CONSUMER CREDIT AND MONEY MANAGEMENT

CASE 24 — Bankruptcy

Tom is 25 years old and works for Kellogg Industries. He was recently divorced and is now paying $450 a month in child support and alimony. In addition, Tom has debts amounting to over $6,500. He has continued to pay on the debts since his divorce but finds that he is falling farther and farther behind in his payments. Tom's creditors have called him often in the last month and have threatened to turn the bills over to a collection agency. What should Tom do?

POINTS TO CONSIDER:

1. What are Tom's alternatives?
2. Would filing bankruptcy solve Tom's problems?
3. If Tom declares bankruptcy, will it wipe out all of his debts? Would it cancel his alimony and child support payments?
4. Will Tom be able to obtain credit again if he declares bankruptcy?
5. How might Tom have gotten into such a difficult credit situation?
6. What might be some of the problems of declaring bankruptcy?

* * *

CASE 25 — Budgeting

For the past six months Margaret and Bill have not had enough income to pay their bills. Two of their creditors have threatened repossession of merchandise purchased on credit if payment is not forthcoming. Margaret and Bill have tried to borrow money from their bank to help them with their bills but have been turned down. How might they solve their problem in the short-run? In the long-run?

POINTS TO CONSIDER:

1. Do they really need the merchandise they have purchased?
2. Should both of them be working?
3. Do they have a budget?
4. Why do creditors lend money to people who can't afford it?
5. Why might the bank have turned down the loan to Margaret and Bill?
6. Might Margaret and Bill be eligible for a consolidation loan?

CASE 26 Credit Application

Hank is a young engineer with a wife and two children. He lost his job in the aerospace industry in New York due to cutbacks a few years ago. As a result he got into some serious financial trouble. Hank now has a good, secure job in the Midwest. He recently applied for a home mortgage. When asked the routine questions about his debt history, he tried to cover up his past problems. The bank discovered Hank's cover-up and subsequently turned down his application for credit. What steps can Hank take to remedy the situation?

POINTS TO CONSIDER:

1. Why might Hank have lied about his past?
2. Why would the bank have turned down Hank's application for credit?
3. How could the bank have found out about Hank's past record?
4. Would the Fair Credit Reporting Act be involved in this situation?
5. Is there a federal agency to protect the creditor in this case?

* * *

CASE 27 New Or Used?

Jesse is 17 and wants to buy a motorcycle. He has saved $700. He is a senior in high school and works three nights a week and Saturdays as a stock boy in a shoe store. Jesse asked his parents to co-sign a loan for a new motorcycle that will cost $1,500. His parents think he should buy a used motorcycle for the time being, at least until he is out of high school. Jesse doesn't want to wait and is sure that he can keep up on the payments. Should his parents co-sign for the loan? Why or why not?

POINTS TO CONSIDER:

1. Why might Jesse's parents want him to wait until he graduates to buy a new motorcycle?
2. What will happen if Jesse fails to make a payment on the new cycle?
3. What costs are involved in operating a motorcycle?
4. What could happen if Jesse loses his job?
5. How much less might a used motorcycle cost than a new one?
6. What are the advantages in owning a new motorcycle versus a used one? What are the disadvantages?
7. What other alternatives might Jesse have?

CASE 28 Writing Checks

Liz Scott went shopping one Sunday to buy a sweater. She didn't have a charge account at the store so she wrote a check. Liz didn't have enough money in her checking account, but payday is Tuesday. Therefore, she post-dated the check. The amount of the purchase was $18.36. She inadvertently wrote the figure amount on the check as $16.83. She wrote out $18.36, however. The clerk refused to accept the check and Liz had no more checks in her checkbook. She angrily left the store. Was Liz's behavior justified under the circumstances? Why or why not?

POINTS TO CONSIDER:

1. Why would the clerk refuse to accept the check?
2. What does post-date mean?
3. Is post-dating a check legal?
4. Will the bank accept the check with two different amounts on it?
5. Is there anything Liz could have done to make the check legal?

* * *

CASE 29 Credit Rating

Dave has worked for four years at the same company. He purchased a car on credit, as well as a color TV and stereo. He has always paid his bills on time and now has the color TV and stereo paid for. Dave and his wife, Janet, are expecting their first child soon, and Janet wants a new washing machine and clothes dryer. When they applied for credit at a local department store, they were turned down because of a poor credit rating. They do not understand why they received such a rating. What can they do about this situation?

POINTS TO CONSIDER:

1. What might have caused their poor credit rating?
2. Might Janet have had a poor rating before they were married?
3. What can they do if they find the credit information given on them is incorrect?
4. Do they have a right to find out why they received a poor rating?
5. Should they just purchase the washer and dryer with cash? What would the advantages and disadvantages of this course of action be?

CASE 30 Buying A Car

Camilla has been saving $50 a month for the past two years to buy a new car. She now has $1,200 in her savings account. Since the price of cars has risen in the last two years, the car she wants now costs more than she had originally expected. She wonders if she should buy an older model used car with the $1,200 or use the money as a down payment for a less expensive new car than the one she had been considering. What factors do you think Camilla should take into consideration in buying a car?

POINTS TO CONSIDER:

1. What are the advantages and disadvantages of buying a used car?
2. What are the advantages and disadvantages of buying a new car?
3. What kind of transportation might she now be using?
4. What other expenses will she have with a new car besides the purchase price? With a used car?
5. Does Camilla have any other alternatives?

* * *

CASE 31 Door-to-Door Sales

Maria, recently engaged, purchased a set of teflon-coated aluminum cookware from a door-to-door salesperson. The entire set cost her $298, and the salesperson gave her a portable mixer free for signing the contract. The terms of the contract called for payments of $8 a week for the next year. Maria is now wondering if the cost of the credit on the purchase is too high and if she could have received a better deal on the cookware somewhere else. Do you think Maria's purchase was a wise one? Why or why not?

POINTS TO CONSIDER:

1. What is the cost of credit on this purchase?
2. Might cookware like this be purchased cheaper somewhere else?
3. Is buying from door-to-door salespeople a wise practice?
4. Would Maria really need all of the cookware she purchased?
5. Was the portable mixer really free?
6. What should Maria have done to see if she could have received a better deal from someone else?
7. Is there anything Maria can do if she decides she doesn't want the cookware?

CASE 32 Poor Money Management

Jayne and Nora share an apartment. They both work at the same company and earn the same salary. They share the cost of rent, food, and the telephone; and neither of them owns a car. Jayne has a weakness for clothes and is always buying something new. Nora likes to read and belongs to several book clubs and a record club. Jayne wants to buy a car, but she just can't seem to save enough money. Both of them skip lunches and have trouble paying the telephone and rent bills on time. What kinds of actions can Jayne and Nora take to improve their money management?

POINTS TO CONSIDER:

1. Can Jayne and Nora cut down on some of their expenses?
2. Do they need a car?
3. Should they have a budget?
4. Do they realize what it will cost to operate an automobile?
5. Could Nora obtain books and records more cheaply from another source?

* * *

CASE 33 Consolidation Loans

Ed and Lisa have been married three years and have no children. They have steady jobs and have purchased over $4,500 worth of merchandise on credit. Ed and Lisa always take as long as possible to pay for something so the payments will be smaller and they will have more money left over to pay for other bills. Ed has become interested in sailing, but they have so many payments each month that there is not enough money left to buy even a small sailboat. Ed talked to a salesman who showed him the super-sport model and offered to sell it to him with no down payment and four years to pay. Ed believes he can get a loan from a finance company to consolidate all his debts and just have one small payment each month which would mean he could buy the boat. Do you agree with Ed's logic? Why or why not? Should Ed buy the sailboat?

POINTS TO CONSIDER:

1. Is it wise to take as long as possible to pay on credit purchases?
2. What might happen if either Ed or Lisa loses his/her job?
3. Are Ed and Lisa overextended on their credit purchases?
4. What is a consolidation loan? Why do people use them? What are the advantages and disadvantages of a consolidation loan?
5. Why would Ed want the super-sport model? Wouldn't a smaller one be adequate?

AREA V: CONSUMER RIGHTS AND RESPONSIBILITIES

CASE 34 — Landlord/Tenant

The company for which Ruben works has temporarily transferred him to another community. Ruben and Agnes decide to rent their home to a young couple. They sign a year's lease with Tom and Betty Trager. The lease calls for the Tragers to maintain the property in good condition and to inform the landlords if any maintenance is required. About six months after the lease has been signed, Tom and Betty hire a plumber to fix a broken pipe and send the bill for $85 to Ruben and Agnes. Must Ruben and Agnes pay the bill? Why or why not?

POINTS TO CONSIDER:

1. Why might Tom and Betty not have contacted Ruben and Agnes about the work which needed to be done?
2. For what reasons might Ruben and Agnes object to paying for the work?
3. What might have happened if Tom and Betty had not hired the plumber to do the work?
4. What might be the consequences if Ruben and Agnes refuse to pay the bill?
5. Was there a maintenance clause in this lease?

* * *

CASE 35 — Security Deposit

Sue, age 17, and Bernice, age 18, graduated from high school in June. In July they jointly rent an apartment for $185 a month, giving the landlord $250 which he requested for the security deposit. On October 25 the girls informed the landlord that they were moving out December 1. When the girls moved out, the landlord refused to refund their security deposit. What rights do the girls have?

POINTS TO CONSIDER:

1. Did the girls have a lease?
2. May Sue sign a lease?
3. Did the girls give enough notice before moving out?
4. What recourse do Sue and Bernice have to get their security deposit refunded?
5. Do all landlords require a security deposit? For what purpose?
6. Why might the landlord have withheld their security deposit refund?
7. Might the girls have taken any action to protect their security deposit when they first moved in?
8. What does the law require in respect to security deposits?

CASE 36 Withholding Rent

Tom and Jim move into an apartment. Several months later, after heavy rains, the ceiling began to drip water, and their sofa was ruined. They called the landlord, who said, "I'll take care of it." After three weeks had passed, the landlord had still not taken care of the situation. Tom and Jim decided to withhold their rent until something had been done. The landlord informed them that he intended to evict them if they did not pay their rent immediately. Can the landlord evict Tom and Jim under these circumstances?

POINTS TO CONSIDER:

1. When a landlord rents a house of apartment, what does he guarantee?
2. Were Tom and Jim justified in withholding their rent?
3. Can Tom and Jim sue the landlord for the damage done to their sofa?
4. How much notice must a landlord give in order to evict a tenant?
5. If a landlord fails to make repairs necessary to make premises livable, may the tenants legally use rent money to have them made?

* * *

CASE 37 Wills

Ralph and Joan Brown, married for 25 years, have no children. Their closest relative is a niece of Ralph's whom they haven't seen since their wedding day and have always disliked. The titles to their home and their car are in Ralph's name. Their only other asset is a $50,000 insurance policy on Ralph's life, payable to his estate. He has no will and sees no reason to make one. Why should Ralph be encouraged to have a will drawn up?

POINTS TO CONSIDER:

1. Why might the house and car be in Ralph's name only?
2. Why do people need wills?
3. What kinds of people need wills?
4. What will happen to the Brown's property and assets if Ralph dies and there is no will?
5. What rights would Ralph's niece have if Ralph died?
6. What happens to the estate if Joan dies before Ralph?
7. What would happen to the insurance policy if Ralph named Joan the beneficiary?
8. How could Ralph best provide protection for his wife if he should die first?

CASE 38 Credit Refusal

Elaine is divorced and has responsibility for her child. She has worked for the same company for six years and owns her own home. Three weeks ago Elaine applied for credit at a local department store. However, the store refused to honor her request. What should she do?

POINTS TO CONSIDER:

1. Why might the store have refused her application?
2. Might Elaine have credit at other stores? Is she overextended?
3. What is Elaine's past credit history?
4. Might this store refuse credit to all single and divorced women?
5. Can the store legally refuse credit simply because a person is divorced?
6. Are there agencies that can help Elaine with her problems?

* * *

CASE 39 Credit Investigation

Ruth and Bill Carter recently applied for a Universal Credit Card. Two days ago a neighbor told Bill that a credit investigator had visited him and asked several personal questions about them. Yesterday the Carters received a notice from the Universal Credit Card Company informing them that their application for credit was denied. What course of action do Ruth and Bill have?

POINTS TO CONSIDER:

1. Did Bill and Ruth realize the extent of the credit check that would be performed on their application?
2. Does a credit card company have a legal right to question one's neighbors?
3. Why might the credit card company deny the Carter's request for credit?
4. What can Bill and Ruth do if they find the credit card company has obtained erroneous information?
5. What can Bill and Ruth do to find out what types of information the credit card company obtained?
6. What are some of the options available to the Carters to remedy the situation?

CASE 40 Deceptive Selling

Cal Erving is a door-to-door salesperson for Acme Vacuum Cleaner Company. He recently visited Mrs. Spicer stating that her name appeared on a list of persons to whom his company was offering a special price and a special credit offer for the purchase of one of their vacuum cleaners. Mrs. Spicer purchased the vacuum cleaner but later discovered that Mr. Irving had given the sames sales pitch to all of her neighbors as well. What could Mrs. Spicer have done to protect herself before she made the purchase? What action might she now take?

POINTS TO CONSIDER:

1. Is this type of activity legal?
2. Is the seller a local firm?
3. Is this false advertising? Can Mr. Irving be held liable if it is?
4. What local agencies can help in a case like this?
5. Is there any way Mrs. Spicer can get her money back?

* * *

CASE 41 False Advertising

Tina watched a sales demonstration of a blender. The blender seemed to work well and was priced far below the others she had looked at. During the demonstration, the salesperson told Tina the many ways in which the product was better than the others on the market. Tina purchased the blender, but she later found that the claims of the salesperson about the product were not true. What can Tina do about this situation?

POINTS TO CONSIDER:

1. Might Tina have bought a defective blender?
2. Might the seller accept returns?
3. Does a salesperson's statement constitute a guarantee?
4. Were the salesperson's statements legal if they were not true?
5. Could the blender have been demonstrated by someone representing the store rather than by the manufacturer of the blender? Would this make a difference in determining liability?
6. How could Tina have checked further before purchasing the blender?

CASE 42 Product Liability

Wilson purchased a television set from the ABC Appliance Company over six months ago. During the past month repeated repairs have been required on the set, and on a number of occasions sparks and smoke came out of the back of the television. One evening there was a fire in the house, apparently caused by the television. Wilson claimed that the seller was at fault and sued. Do you think Wilson should be reimbursed for the loss of the television and the damage to his home? Why or why not?

POINTS TO CONSIDER:

1. Why did Wilson continue to use the set in its condition?
2. Could the fire have been caused by something other than the TV?
3. Could Wilson have prevented the fire?
4. Was the appliance company apprised of the situation prior to the fire?
5. What is the extent of a store's liability for its products?

* * *

AREA VI: BANKING AND FINANCE

CASE 43 — Banking Services

Joyce has her first job. She shares an apartment with three other girls. Every Friday, when she receives her paycheck, she goes to the store's cashier to cash her check. She keeps her cash in her purse or in the toe of one of her bedroom slippers at home. If she has to make a payment by mail, she purchases a money order. One of her friends recommended that she open a checking and a savings account. However, she does not think she would use these accounts enough to warrant her opening them. Do you agree or disagree with Joyce's argument? What kinds of banking services do you think Joyce might need? Why?

POINTS TO CONSIDER:

1. What kinds of banking services are available to Joyce?
2. Is Joyce handling her money wisely?
3. Do banks have special accounts for people who don't write many checks?
4. What are the advantages of having a checking account? What are the disadvantages?
5. What different types of checking accounts might Joyce open?
6. What are the advantages and disadvantages of a savings account?

* * *

CASE 44 — Community Banking

Glintsville is a small mining community without a bank. Last year its population was only 29, but because of the discovery of a rare mineral, its population has been expanding rapidly. There are already over 500 workers in Glintsville who are living in tents and trailers. What kinds of problems do you envision the town having as it expands without a bank?

POINTS TO CONSIDER:

1. What kinds of changes will occur in the town because of its growth?
2. What will be some of the needs of the expanding community?
3. Is a bank needed by the community during this expansion?
4. Who might start the bank? Can anyone start a bank?
5. What banking services should be provided for the community?
6. What will happen to the expansion of the community if a bank is not included in the plans?

CASE 45 Government Ownership

One state in this country with a large metropolitan population has considered establishing a state-owned bank. Depositors would be the state itself, municipalities, businesses, and individuals. A state-owned bank would be expected to make loans based on social needs; for example, low-income area mortgages that commercial banks will not make. A state-owned bank would also be expected to provide loans to municipalities that are in financial difficulty, even though commercial banks are reluctant to do so. Would you be in favor of such a bank? Why or why not?

POINTS TO CONSIDER:

1. Why won't commercial banks make low-income area mortgages and municipal loans?
2. Is it right for state-owned businesses to compete with private businesses?
3. Would a bank of this type compete with private business?
4. Who would pay for losses suffered by the state-owned bank?
5. Who would benefit from the state-owned bank?
6. Why would individuals and businesses put their money into a state-owned bank?
7. Are there any state-owned banks now?

* * *

CASE 46 Investing Savings

Diane, 16 years old, has saved money earned by delivering papers and working Saturdays and summer vacations in a department store. She now has $1,200 in a passbook savings account at a downtown bank. Diane plans to use most of her savings to pay for her education after she graduates from high school. Her bank advertises other types of accounts and certificates which pay more interest than her present account. Her mother thinks she should buy some savings bonds so she won't be tempted to spend it. Diane saw on T.V. that she could get a free radio if she deposits $500 in a savings and loan institution. However, she knows very little about savings and loan institutions. How should Diane decide on the best place to invest her savings?

POINTS TO CONSIDER:

1. What are the different types of savings instruments and accounts available? What are the differences? What are the advantages and disadvantages of each?
2. How do savings bonds interest rates compare to those of savings accounts?
3. What are savings certificates? What must be done to earn the higher rate of interest on savings certificates?
4. How long do you have to keep savings bonds to earn the interest stated?
5. Can Diane take her money out of a savings certificate before the maturity date?

CASE 47 Investments

Irene recently inherited $2,000 from a distant relative. Her father has advised her to invest the money in the stock market so it can grow. However, a friend has advised her to put her money in the bank where it will be safer. If you were Irene, whose advise would you follow?

POINTS TO CONSIDER:

1. What advantages are there in putting one's money in the stock market?
2. What are the advantages of putting one's money in the bank?
3. How familiar is Irene with the stock market? How familiar should one be with the stock market to invest money in it?
4. Will Irene's money grow faster in the stock market than in the bank?
5. Can Margaret get both growth and safety in the bank? In the stock market?

* * *

CASE 48 Investments

John has $5,000 on deposit in his savings account. He doesn't know if he should leave the money in his savings account, buy bonds or invest in the stock market. Sarah says to leave it in his savings account because it is almost risk-free. Bud tells him to invest everythink in the stock market because he can become rich fast. Della says to buy bonds because you don't pay taxes on the income earned from them. John decides to buy three $1,000 municipal bonds at face value and bearing a 4 percent interest rate, one $1,000 United States bond (Series H) at 6 percent interest, and a corporate bond for 92 at 7 percent interest. What do you think of John's investment portfolio?

POINTS TO CONSIDER:

1. Should John invest all of his savings in bonds?
2. Why didn't John put all of his money into one type of bond or the other?
3. Why do the municipal bonds have such a low interest rate compared to the other investments?
4. Would John have been better off if he had left all of his money in the bank?
5. Will the stock market make John "rich fast" as Bud suggests?
6. Are all bonds tax free as Della suggests?

AREA VII: INSURANCE

CASE 49 — Automobile Liability Insurance

Mike recently purchased a car which he uses to drive back and forth to work and school. One of his friends, Oscar, has asked Mike if he can borrow his car for a date. Mike carries the minimum amount of liability insurance on his car. Should he lend his car to Oscar? Why or why not?

POINTS TO CONSIDER:

1. Will Mike's insurance cover Oscar if there is an accident?
2. What will liability insurance cover if there is an accident and it is Oscar's fault?
3. What will be the consequences to Mike if Oscar has an accident with Mike's car?
4. Who will be liable for the damages if someone is injured or killed in an accident?

* * *

CASE 50 — No-fault Automobile Insurance

The state in which Sam and Tricia live is considering the passage of a no-fault auto insurance law. Sam was injured in an automobile accident last month and is now involved in litigation to recover damages for his car and hospital expenses. Do you think Sam would have been better off under the no-fault law? Why or why not?

POINTS TO CONSIDER:

1. What is no-fault insurance?
2. Does our state have no-fault insurance?
3. What are the terms and recoveries of no-fault insurance in our state?
4. What effect will no-fault insurance have on Sam's accident?
5. What is the extent of damages from the accident?
6. What will no-fault insurance cost or save Sam and Tricia?
7. Will no-fault involve litigation for the recovery of damages?
8. Who benefits from no-fault insurance?

CASE 51 Life Insurance Coverage

Tom and Martha have been married for fourteen years and have accumulated savings and property worth approximately $35,000. They have three children ranging in age from seven to thirteen. Both Tom and Martha have worked for the past five years. Tom has a $35,000 life insurance policy, but Martha does not have any insurance. Do you think Martha should also have a life insurance policy? Why or why not?

POINTS TO CONSIDER:

1. What is the purpose of life insurance?
2. Why doesn't Martha now have a policy?
3. What hardships might Tom and the children experience if Martha were to die?
4. How dependent is the family on Martha's income?
5. Do married women need life insurance if their husbands are covered?
6. What type of policy should Martha have?

* * *

CASE 52 Insurance As An Investment

Nola has just graduated from a vocational school program. Since her graduation she has received over ten calls from insurance companies urging her to buy insurance. Nola has been visited by three agents, and all of them have expounded on the value of an insurance contract for savings and investment purposes. Would a life insurance policy be a good investment for Nola? A good method for saving?

POINTS TO CONSIDER:

1. Are all life insurance contracts used for investments? For savings?
2. In what ways are life insurance contracts used for investment?
3. Are there better investment opportunities than insurance?
4. What does one get for the insurance premiums paid to an insurance company?
5. What are the different types of insurance policies?
6. Does Nola need insurance at this time?

CASE 53 Life Insurance Alternatives

When Hector Rodriguez married seven years ago, he purchased a $10,000 term life insurance contract. Since then Hector and his wife, Maria, have purchased a home and have had two children. Hector purchased insurance for the house and a life insurance policy for each of the children. Does he need additional life insurance? What type of policy would you recommend for him?

POINTS TO CONSIDER:

1. Do people need insurance beyond funeral expenses?
2. Might $10,000 worth of life insurance be enough for Hector?
3. How much insurance does Hector need?
4. How does one determine how much insurance is needed?
5. What kinds of life insurance policies are available? What are the differences between them? What are the advantages and disadvantages of each?
6. Should Mrs. Rodriguez also be insured? Why? What are the advantages and disadvantages of insurance for Mrs. Rodriguez?

* * *

CASE 54 Renters' Insurance

Regina and Abigail rented an apartment several months ago. They have purchased furniture, including a color television set and an expensive quadrophonic record player. In addition, both of the girls have very large and expensive wardrobes. Last week an insurance agent called on Regina and Abigail and tried to sell them renters' insurance. However, they turned the insurance agent away, stating that they didn't need insurance because if anything happened, the insurance carried by the apartment owner would cover them. Do you think that Regina and Abigail did the right thing under the circumstances? Why?

POINTS TO CONSIDER:

1. Does an apartment owner carry insurance on the tenants?
2. What does renters' insurance cover?
3. Do Regina and Abigail own enough clothing and property to warrant insurance?
4. What will Regina and Abigail do, financially speaking, if the apartment burns?
5. What is the purpose of renters' insurance?
6. Who needs renters' insurance?

AREA VIII: SOCIAL RESPONSIBILITIES OF BUSINESS

CASE 55 — Energy Sources

Near the community of Thorton there is a potential geo-thermal power source. The business and industrial community of Thorton would like to explore and develop this source if practical. However, the exploration and development of this power source will be quite expensive, and the interested parties are looking for a means to protect their investment. Should the community or the government encourage the developers by helping them protect their investment?

POINTS TO CONSIDER:

1. How important is it to the community to develop clean energy sources?
2. In a free enterprise system do the developers have a right to expect protection of their investment?
3. What might be some ways the government or community could help protect the investment of the interested parties?
4. Should the government be expected to give tax breaks and other incentives to encourage development?
5. Are there criteria to be used in determining whether or not the situation warrants government assistance?

* * *

CASE 56 — Access To The City

The merchants of Walkata Falls, a large city in the Midwest, are having a dispute with some city and suburban residents. The merchants are promoting a freeway system that would facilitate the use of the downtown shopping area by people living in the suburbs. The opponents contend that the proposed freeway will ruin the neighborhoods through which it passes and will cause pollution. Should the city encourage the construction of the freeway?

POINTS TO CONSIDER:

1. What will happen to the downtown business community if the freeway is not constructed?
2. Would a healthy business community be important to the welfare of this area?
3. What other reasons might the opponents have against construction of the freeway?
4. Should there be an automatic priority between business and environment? If so, which should receive the highest priority?
5. Are there possibilities for compromise in this situation?
6. If a compromise cannot be reached, and a freeway is not constructed, what can the downtown merchants do to stay in business?

CASE 57 Pollution

A lumber mill in the city of Patterson was given written notice by the state anti-pollution agency that it must stop polluting the river which runs through the community. The firm's management is aware of the problem but finds that it cannot afford to purchase the new equipment necessary to curtail its pollution. Should the firm be forced to stop polluting the river? Why or why not?

POINTS TO CONSIDER:

1. What might happen to the firm if it is forced to install the new equipment?
2. Would the closing of the mill have an effect on the community and surrounding area?
3. Is the action taken by the agency a reasonable one?
4. Is the management of the lumber mill being unreasonable?
5. Is some kind of compromise possible in this situation?
6. What kind of action could the people of Patterson take in this situation?

* * *

CASE 58 Pollution

Newburg is a heavily industrialized city in the west. Two weeks ago the city had a serious pollution level, and a number of industries were forced to close. The city council decided to pass stringent controls on the industries of Newburg in an effort to curb pollution. The industries of Newburg complained bitterly that the new controls would put their products at a competitive disadvantage with the same kinds of products produced in neighboring communities. Is Newburg's city council acting within its rights as the protector of the public interest? Why or why not?

POINTS TO CONSIDER:

1. Might the penalties associated with the new controls be too severe?
2. Other than fines, what kinds of losses will the industrial firms experience if they continue to pollute?
3. Are there other ways to ensure enforcement of the pollution laws?
4. Are the industrial firms in Newburg acting in a socially responsible manner?
5. Is a compromise possible?